EXHIBIT JPX 159

OAKTREE

Oaktree Capital Management, L.P.
333 South Grand Avenue, 28th floor
Los Angeles, CA 90071
p 213 830-6402 f 213 830 8511
www.oaktreecapital.com
bkarsh@oaktreecapital.com

Bruce Karsh
President

February 3, 2009

Re: OCM Opportunities Fund VII, L.P.

The fourth quarter of 2008 saw the most brutal downturn in security prices we have ever witnessed in the credit markets. The reasons are well-known to all and need no recitation here. The impact was particularly harsh on a portfolio like OCM Opportunities Fund VII, which was assembled before the Lehman Brothers bankruptcy and thus was unable to meaningfully average down as prices were tumbling. For the quarter, the Fund declined by 23.1%, bringing the full year 2008 loss to 27.4% (both before fees and expenses). The Fund's internal rate of return after all fees and expense since its inception in March 2007 dropped to a negative 30.7% per year.

Before discussing what was responsible for the large mark-to-market loss, I'll start with what went right last quarter. The Fund's single largest industry concentration is in financial services, where over 20% of the Fund's capital is invested. We have written extensively about our view that certain companies in that sector were being unfairly tarred with one broad brush and that security prices had fallen to bargain basement prices well before Lehman Brothers filed for bankruptcy.

The Fund's largest investments in that sector are CIT Group, GMAC and FCE Bank plc (a U.K.-based, wholly-owned subsidiary of Ford Motor Credit). They also happen to be among the Fund's top five holdings. In December, CIT and GMAC became bank holding companies and received TARP money from the federal government. We think our investment case would have worked out irrespective of this fact, but it's nice not to have to wait to find out. In last quarter's letter, we noted that so long as these companies curtailed their lending activities, the securities owned by the Fund would benefit. We assumed they would go into so-called "run-off mode," since under the prevailing credit conditions, that was the only way either company could survive.

However, we also noted that when companies like CIT and GMAC stop lending, the effect on the macro-economic environment can be extremely deleterious. In fact, that is just what happened. So, as macro conditions continued to worsen through the end of the year and reached a dangerous level, the Treasury Department felt compelled to facilitate new extensions of credit by the important middle-market lender, CIT, and the giant auto lender, GMAC. Of course, the shelter of the TARP has helped the value of the CIT and GMAC securities. FCE, being a non-U.S. entity, has not received any assistance as yet. Thus, our thesis might be tested in that case. (By the way, so far so good – Ford Motor Credit just reported that FCE was profitable even in 2008's difficult fourth quarter).

Overall, through year-end 2008, the Fund's holdings in the financial services industry generated approximately $60 million in realized and unrealized gains. Obviously, we feel good about our foray into this sector, since precious few purchases made so long before Lehman Brothers showed a profit at year-end. And we think the Fund's profit is likely to grow much larger. Moreover, we believe a good portion of the current investments in this sector can be sold and recycled within the remaining term of the Fund's investment phase, which stretches over the next 13 months. Thus, we hope to access the extraordinary opportunities that currently exist in the distressed debt market.

Turning to the Fund's mark-to-market losers, the largest single decline during the fourth quarter was in the securities of Charter Communications. In last quarter's letter, we discussed the fact that operationally, all was well at Charter. We believe that to still be the case. In the face of an extremely severe recession, the company managed to grow its third quarter EBITDA by 10%. We expect its fourth quarter performance to be roughly in line with its strong third quarter results. The ability to hold up and even grow right through a recessionary environment is precisely the reason we invested so much Fund capital in this company. So what went wrong?

We knew Charter was overleveraged and would eventually go through a reorganization to extinguish debt and right-size its balance sheet. However, like the market as a whole, we expected that to take place no earlier than the end of 2010, the time when a large issue of debt would mature that Charter did not have the liquidity to repay (and would need to refinance to avoid bankruptcy). Simply put, we assumed Charter was 2010's business. It would continue to pay interest and principal throughout 2009 and grow its revenues and cash flow at the same time.

In late November, Charter announced that, in light of the economic environment, it was uncertain it had sufficient capital "surplus" to upstream cash to make interest and principal payments on debt at certain holding companies. This was largely a reflection of the low trading values of comparable cable companies. So, despite having $900 million in cash and ample liquidity, Charter missed an interest payment. Now Charter will be 2009's business for us.

The looming default became well known in the market by the end of the year, and as a consequence the securities owned by the Fund dropped in value by $148 million during the fourth quarter. The reasons for the decline were two-fold: (i) the general surprise to the market, and (ii) the market's perception that the securities we own will not fare as well in a 2009 reorganization as they would in a 2010 reorganization.

We clearly would have preferred to reorganize Charter next year as opposed to now. However, we are glad to report that we are working closely and smoothly with a large group of like-minded holders and have developed a well-defined strategy to achieve all that we would have accomplished a year and a half from now. If we successfully execute on this strategy, we believe that our original investment thesis will be borne out and the Fund's Charter holdings will dramatically rebound in value. Of course, we'll keep you informed on our progress.

Many of the Fund's other holdings suffered mark-to-market losses, although none as severe as Charter. A few of the larger declines came from our Exco stock, Harrah's bonds, Freescale and

Ceridian bonds, and Kloeckner bank debt. In addition, the Fund's credit default swap portfolio contributed meaningfully to the quarter's loss. This is not surprising given the leverage inherent in these positions. At year-end, the Fund had sold protection on $1.31 billion notional amount of swaps, a decline in size of about 10% from the end of the third quarter. The margin posted at year-end was $545 million, an increase of $150 million from the prior period, and our internally earmarked reserves equaled $210 million at year-end.

In less than two months, $234 million in notional amount of swaps will expire by their terms, freeing up margin and reserves and bringing the total notional amount down to $1.07 billion. We expect to be able to unwind a few other swaps before the end of the investment period, so as to recycle the freed-up cash into even more attractive distressed debt investments. During this past quarter, the diversion of cash to post margin resulted in a real opportunity cost to the Fund. It would have been highly desirable to make new investments as opposed to posting margin on existing ones.

In reviewing the Fund's mark-to-market losses, only a few appear to us to be permanent. At this stage, the largest relates to the Fund's investment in TI Automotive. TI is a global automotive OEM supplier that was attractive to us due to its dominance in Europe and low reliance on the Big Three in the U.S. (less than 20% of sales). About 20% of its revenues came from Asia, and this segment was growing nicely. TI was and is the market leader in fluid carrying systems, with approximately 50% market share in Europe. You may recall that back in June of 2007, the Fund and another Oaktree-managed fund, together with Duquesne Capital, rescued TI by infusing cash in return for second lien notes and virtually all the company's equity.

As the U.S. automotive market began weakening this past year, TI certainly felt the effects in its North America business, but it was holding up fairly well in Europe and Asia. While bank covenant issues loomed, the geographic diversity and strong cash generation of the business appeared sufficient to see the company through the storm. But as the global downturn took hold and viciously spread to Europe by year-end, TI's hopes of getting through the cycle dimmed. With little visibility for its prospects over the next several quarters, we opted not to infuse more cash into the company. While the final chapter is yet unwritten for TI, we have substantially written down the value of the Fund's holding, which now shows a $73 million loss.

* * *

Bargains that appeared attractive at the time of Bear Stearns's demise have become much more so in the post-Lehman Brothers bankruptcy world. Unfortunately for this Fund, that means that the prices of most of our holdings are materially lower today than they were a year ago. This is not surprising given the very difficult economic and credit conditions that have unfolded since that time.

As noted above, we're pleased with developments in the financial services sector of the Fund, but much more needs to occur for the Fund to be where we want it. We've made numerous investments that should pay off handsomely under most any economic scenario that comes to pass. A few other holdings would withstand the 30-year flood we had anticipated but might not hold up in the face of the 100-year flood that we may be experiencing. The key is how severe and protracted the credit crisis and recession will be, which of course nobody knows.

The good news is that, during the remaining term of the investment period, we expect to recycle a large amount of proceeds from realizations and freed-up margin and internal cash reserves. And we will do so at a time of extraordinary opportunities in the distressed debt market. We look forward to reporting to you on our progress.

All of Oaktree's Distressed Debt group joins me in wishing you a happy, healthy and prosperous New Year.

Very truly yours,

Bruce

Bruce A. Karsh
President